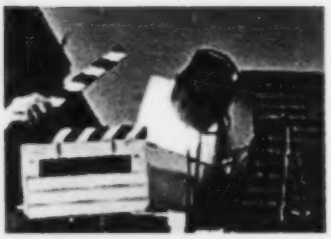
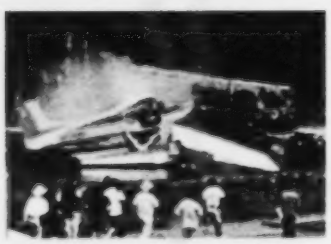
SPIRIT *of* 2010



CONTINUING SUCCESS IN THE BRITISH COLUMBIA FILM INDUSTRY



BRITISH COLUMBIA

CONTINUING SUCCESS IN THE BC FILM INDUSTRY

Message from Minister John Les

The film and television industry is one of the most important economic sectors in our global and technology-driven economy. This industry spent a record $1.4 billion in British Columbia in 2003, contributing significantly to the prosperity of British Columbia's economy and creating new investment and employment opportunities.

Talented, creative, and energetic British Columbians, combined with a strong infrastructure and a wide variety of prime locations, make up the core of the film and television industry. Over 35,000 British Columbians are employed in film and television production and many more contribute in the province's technologically advanced and innovative post-production, special effects, and new media businesses. While $1.4 billion represents a significant increase over previous years, the number of productions attracted here was down from 205 to 169, as a consequence of more reality television programs and increased competition. While we remain optimistic about the future of the industry in British Columbia, there is a lot to be done and our government is committed to advancing British Columbia's position in this highly competitive global environment.

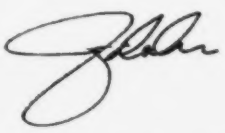
Our government has laid the foundation for future success in this thriving sector. By creating an attractive income tax environment, this government has extended the domestic and foreign film production tax credit programs to 2008, and expanded these programs to encourage both the development of the high-tech animation sector and economic activity in regions outside of the Lower Mainland. We continue to encourage the development of creativity and skills among British Columbians interested in creating novel entertainment, information and education products, and investment in these products.

In looking forward to the future, we have considered what might be necessary to continue the success of the British Columbia film industry into the next decade. This document takes a look at what some of the key success factors might be in the coming years, while taking into account provincial fiscal priorities. We look forward to working with British Columbia's film and new media sector in identifying priorities and actions that can be undertaken together between industry and government to keep British Columbia's film industry vibrant and growing.

The Ministry envisions a stronger, even more vibrant film industry in the future and is taking immediate action to address emerging opportunities in the international film and new media sectors. To succeed in the future, we must also take steps today to improve the performance within the domestic film sector. We have established a new Film Advisory Committee to look for innovative solutions needed to build upon the foundation of our past accomplishments.

The Ministry of Small Business and Economic Development brings together a range of programs linked to creativity. These include film, arts and culture, high technology, tourism, small business, and the 2010 Olympic and Paralympic Winter Games. I am extremely enthusiastic about the work we can do to strengthen British Columbia's film industry to 2010 and beyond.

Yours truly,



John Les, Minister of Small Business and Economic Development

105-07407/

ENHANCING COMPETITIVENESS

Film and television is a billion-dollar industry in British Columbia, providing tremendous financial benefits to people and communities across the province. In recognition of the importance of this industry to British Columbia's economy, the province has undertaken a number of initiatives over the past three years to improve the competitive environment of the British Columbia film and television sectors. Initiatives include:

- Cut personal and corporate taxes to create a positive business climate for film and television.
- Extended the basic film tax credit programs in February 2003 for another five years - to 2008.
- Provided an additional 15% bonus tax credit for work in animation.
- Added a 6% bonus to foreign service productions for work in regions outside the Lower Mainland.
- Earmarked a $5 million envelope under the Equity Capital Program for "seed" capital investment in businesses developing interactive digital media products.
- Replaced a conventional photo library with a multi-purpose digital image library system to improve location scouting and management.
- Extended the digital library database tool to regional partners.
- Expanded the types of activities that qualify for tax refunds under the International Financial Activity Act to film distribution.
- Appointed an Industrial Inquiry Commission to make recommendations that address persistent labour disputes in the British Columbia film industry.
- Conducted two film trade missions to Los Angeles, one headed by Premier Campbell on Canada Day 2002 and one headed by Minister Thorpe in late fall 2002.
- Appointed Susan Croome as British Columbia's Film Commissioner in late 2002.
- Contributed $40,000 annually to each of five regional film commissions.
- Contributed $2.28 million annually to British Columbia Film for the development of the domestic film industry.
- Established a new Provincial Film Location Policy in September 2003 to improve access to provincial government properties and make the province more "film-friendly."

In addition to these specific initiatives, the Ministry of Small Business and Economic Development also provides film industry services, including marketing, locations and community liaison services through the British Columbia Film Commisson, and maintains a film policy function in the Economic Development Division. Through these resources, the Ministry is committed to working with the industry to maintain and strengthen its competitive position.

Film Incentives in British Columbia

Film Incentive BC (FIBC)

- The **Basic FIBC** tax credit: 20% of eligible BC labour costs.
- The **Digital Animation or Visual Effects** (DAVE) credit: 15% bonus.
- The **Regional Production** credit: 12.5% bonus.
- The **Training** credit: the lesser of 3% or 30% of trainee salaries.

Production Services Tax Credit (PSTC)

- The **Basic PSTC** tax credit: 11% of eligible BC labour costs.
- The **Digital Animation or Visual Effects** credit: 15% bonus.
- The **Regional Production** credit: 6%.

See: www.bcfilm.bc.ca for further information.

FILM LOCATIONS MADE EASY IN BC

British Columbia's Film Location Policy was adopted following two years of consultation with industry, provincial government ministries and crown agencies that are closely involved in providing permits for filming activity. This policy guides decisions by the province to permit access to provincial property for the purpose of filming.

The British Columbia Film Commission will make the Film Location Policy operational in its updated Production Guide by mid-June 2004. This Guide outlines some general procedures to be expected when the film and television industry deals with the provincial government, describes the role of each agency in the permitting process, and identifies key contacts for use by industry. This Guide will assist producers and location managers while filming in the province, and also provide information to property owners and managers who deal with the film industry.

A number of options are being developed by the Ministry of Small Business and Economic Development, in consultation with other ministries and crown agencies, to streamline the permitting process used by government to make it easier for the film and television industry to access government-owned or -controlled locations.

British Columbia's Film Location Policy

As an important part of British Columbia's economy, the province encourages the safe use of public property.

This policy is designed to encourage access to British Columbia's diverse location resources and to ensure fairness and consistency in the allocation of provincial property to filmmakers in the province.

1. **The government will start from "yes".** Requests to use public property for film activities will be approved wherever reasonably possible.

2. **Decisions will be timely.** Recognizing that filming is a time-constrained activity, decisions will be made within five working days.

3. **Decision makers will be accountable.** The decision maker will always provide a written reason when use of public property is denied. The Minister responsible for film in British Columbia will receive a copy of the written reason.

4. **Decision-making processes will be transparent.** All information necessary for filmmakers to access public property will be made as accessible as possible. Government will endeavour to make information centrally available through a one-window approach on the Internet.

5. **Fees will be competitive.** Fees will be globally competitive, and consistent for similar properties. The number of location fees will be minimized per production. Fees may vary based on time and intensity of use. Fees will be reviewed against competitors on a regular basis.

5. **Administrative processes will be streamlined to be as simple and accessible as possible.** Government will continue to eliminate unnecessary red tape and to develop streamlined permitting and contracting mechanisms, including electronic mechanisms.

7. **Public services must be delivered.** Filmmaking on public property should occur with a minimum of inconvenience to the public. No essential government service will be impaired by film activity.

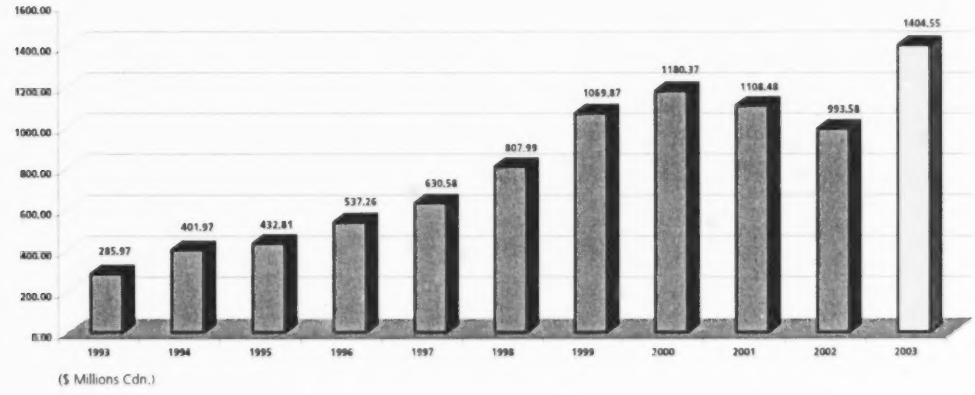
8. **Industry will assume appropriate risks.** The costs of production, liabilities and reclamation and remediation, where appropriate, are among the risks assumed by the industry and not government.

9. **The Code of Conduct for Cast and Crew, developed by the British Columbia Film Commission, should be adopted.** All productions should adopt this Code of Conduct, which is representative of government's minimum expectations for activity on locations.

THE BC FILM INDUSTRY OVERVIEW

Growth in British Columbia's film and television industry has been remarkable over the past 25 years. From a base of just four productions and $12 million in 1978, the industry has grown to 169 productions with expenditures of $1.4 billion in 2003. When the additional expenditures of $100 million on commercial productions are added in the significance of film, television and commercial production in British Columbia becomes obvious.

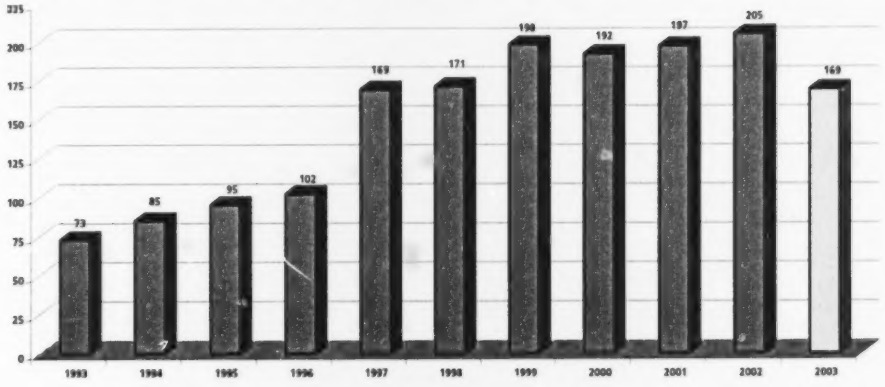
Film & Television Production Spending 1993 - 2003



Some of the major movies and television series shot in British Columbia in 2003 included, *Catwoman; Paycheck; the Chronicles of Riddick; I, Robot; Scooby Doo 2; MuchMusic Movie; Smallville; Stargate; Cold Squad; DaVinci's Inquest;* and *Andromeda.*

Expenditures in the industry are at an all-time high with fewer productions. While domestic television production has dropped, the number of productions in the foreign feature film category increased from 15 in 2002 to 25 in 2003. Foreign television series also increased in this time period.

Number of Productions 1993 - 2003

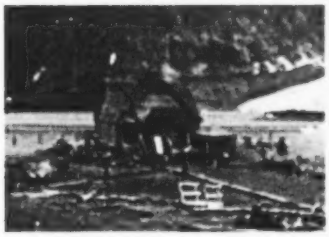


The British Columbia film and television industry is made up of three sectors.

- The "service" sector (87% of the industry) produces entertainment products conceived and controlled elsewhere, typically Los Angeles. The sector spent approximately $800 million annually for the last three years.
- The domestic or "content" sector (12% of the industry) conceives and controls products from inception to market, spending $164 million in 2002, down from $400 million in 2000.
- The commercial sector (1% of the industry) typically undertakes short-term, non-unionized projects.

Foreign productions, particularly those from major studios in the United States, make up a significant and, in recent years, growing part of the British Columbia industry, indicating strong potential within BC.

Structure of BC's Film and Television Industry:



Employment in the film and television industry in British Columbia has grown in direct correlation to rising production levels. Jobs created by film production create significant economic spin-offs throughout the province. For this reason, and due to the fact that many jobs are part-time, exact employment numbers are difficult to quantify. However, it is safe to say that, unlike some sectors of the economy, the film industry has experienced a full-scale explosion in the number of jobs created over the last decade. Approximately 35,000 people are currently employed in film and television production in British Columbia, up by 30,000 from a decade ago.

Jobs related to the film industry draw on an extremely wide range of skills and abilities. Jobs directly associated with the industry include "above the line" contributions from lead performers, writers, directors, and producers and "below the line" work from crews, equipment suppliers, transportation and caterers. In addition to jobs directly associated with a production, indirect jobs include those in construction, food service, hotels, accounting, and vehicle rental businesses.

The economic drivers vary somewhat between the service and domestic sectors. The service sector depends on the ability to attract foreign productions to the province. This means having crews that are skilled and motivated, state-of-the-art facilities, and flexible yet unique locations that can provide a "world of looks" to film producers. British Columbia offers all of this, and more. The province is known for its talent, energy and heart when it comes to film production, and has provided internationally known stars to the global film and television scene.

The domestic sector depends on the capacity to create, develop, and market products. Productions rely on quality crews, locations, studios, and suppliers to make products in British Columbia that are marketed around the world through international film festivals and through international distributors.

British Columbia is home to numerous film and video companies and talent agencies. There are over 30 post-production facilities and 50 shooting stages. Lions Gate Studios and Vancouver Film Studios are two of the largest studio facilities in Canada. British Columbia has the ability to crew and service 35 projects simultaneously.

FILM LINKS TO NEW MEDIA

As defined by New Media BC, an industry association supporting and growing the sector, new media is "the use of new and emerging technologies for the purposes of informing, educating, and entertaining. New media is a content industry that drives technology delivery innovation." In this context, content means producing new and innovative products and technologies that help to demonstrate the link between the new media and the film sector through creativity. New media products are used to inform, educate, and entertain.

New media activities and products include digital visual effects, video and computer games, enhanced and interactive television, virtual reality, and interactive education. New media products can be experienced in many formats including CD Rom, DVD, video games, the Internet, and film. Video and computer games, in particular, are rapidly growing, and are estimated to represent three-quarters of total revenue in the sector.

New media has important linkages with British Columbia's film industry. Increasingly, the stories, actors, music, and pictures are the same for both – where games become films and films become games. Human resources as well as technology cut across the two sectors.

Major film studios now have gaming divisions that develop and promote games that are based upon their film and television programming. Many studios turn to outside talent to promote movie and television branded games. For example, Vancouver-based Radical Entertainment has produced television cross-over entertainment products such as *The Simpsons: Hit and Run* game, and film cross-over games such as *The Hulk*.

The film and new media sectors are directly linked to British Columbia's animation industry. The animation industry – including classical animation, computer animation and visual effects, and vocal talents and sound – has increased significantly in recent years to about 3,000 employees. Much of the growth in animation is attributed to computer animation supporting the gaming sector, reflecting the increasingly important role that new media plays in the animation sector. Most of the approximately 50 animation companies in British Columbia provide service to the film industry, and contribute to animated films and television products.

New media industry in British Columbia has annual revenues of approximately $1 billion. It employs a workforce of approximately 5,000 people. It represents a diverse group of companies offering state-of-the-art technology and services at the forefront of the worldwide digital media revolution. British Columbia is home to the world's number one interactive entertainment software company, Electronic Arts.

COMPETITIVE ENVIRONMENT

One of the implications of participating in a global film industry is that British Columbia is competing for production against many different regions and many different markets for its products.

The strengths and opportunities currently facing the film and television industry in British Columbia are summarized below. Some of the key strengths on which we can build include our creative and technical talent, established infrastructure, and a world-class reputation. We are not without challenges, but these strengths help us to take advantage of the "world of looks" provided by the wide range of locations available throughout the province, the positive business climate, and the clustering of creative and high-technology oriented industries.

Strengths

- Infrastructure capacity - studios, crews, support services.
- Comprehensive labour agreement to March 2006.
- Attractive federal and provincial tax credits.
- Effective production, location, and permitting support.
- Production business acumen.
- Provincial film location policy.
- Strong community support.
- World-class animation, post-production and new media sectors.

Opportunities

- Favourable exchange rate.
- Proximity to Los Angeles.
- Diversity of locations.
- Attractive business environment.
- Attractive creative environment.
- Developing high-technology sector.
- Strong tourism destination.
- Host of 2010 Winter Olympic and Paralympic Games.

KEY SUCCESS FACTORS

A successful film industry strategy for British Columbia must address the needs of its service and domestic sectors by:

1. Maintaining competitiveness as a production location; and
2. Developing a stronger domestic film sector.

The provincial government has identified a number of outcomes and activities to achieve continued film industry success over the next few years.

1. **A coordinated and integrated approach to industry and cluster development.**
   By building strong linkages with industry, the provincial government can help create a clear and targeted vision to guide industry development, take integrated action to capitalize on opportunities, and develop effective strategies to minimize potential threats.

   Actions:
   - Establish mechanisms for regular communication and dialogue between industry and government.
   - Develop targeted strategies to build on strengths and opportunities.

2. **A cost-competitive centre of production.**
   Given the mobile nature of this industry and the increasing level of international competition to capture foreign (primarily United States) production activity, British Columbia's production sector must offer excellence, both in terms of quality and cost to maintain its competitiveness.

   Actions:
   - Streamline film industry access to provincial government-owned locations.
   - Encourage municipal and regional government to lower costs.
   - Ensure a stable and constructive labour-management environment.

3. **A strong international brand identity for the British Columbia film industry.**
   A strong marketing strategy and brand identity is needed to strengthen the industry's competitive position, increase its profile and reputation in the international marketplace, and meet globally competitive standards for service and promotion.

   Action:
   - Develop a brand identity and a marketing strategy to increase investment in the British Columbia film industry.

4. **A supportive business environment for British Columbia-based production.**
   Developing integrated strategies to increase domestic production will help to build British Columbia's domestic industry and strengthen the capacity to export film and television products to the world.

   Actions:
   - Advocate for a competitive tax structure for British Columbia.
   - Build on synergies between film and new media.
   - Improve access to markets, thereby broadening access to financing tools.
   - Promote establishment of British Columbia-based distributors.

- Develop appropriate research and analysis, and improve reliability of data.
- Manage the federal-provincial relationship.

5. **A highly skilled work force.**
The strength of British Columbia's film industry is based, to a large degree, on the skills industry workers offer visiting and domestic producers. Continued investment in British Columbia's film labour force through apprenticeship training will positively impact our strengths and expand our capacity to provide highly skilled and experienced film professionals.

Action:

- Develop a coordinated professional skills development strategy.

FOR MORE INFORMATION

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BRITISH COLUMBIA FILM COMMISSION

MINISTRY OF SMALL BUSINESS & ECONOMIC DEVELOPMENT

FACTSHEET

BRITISH COLUMBIA FILM AND TELEVISION PRODUCTION 2000 - 2004

	2004 Year end Dec 31		2003 Year end Dec 31		2002 Year end Dec 31		2001 Year end Dec 31		2000 Year end Dec 31	
	Number of Projects	Production $ Spent in BC	Number of Projects	Production $ Spent in BC	Number of Projects	Production $ Spent in BC	Number of Projects	Production $ Spent in BC	Number of Projects	Production $ Spent in BC
	production $ = millions of dollars									
DOMESTIC										
Feature Film	30	49.75	22	41.65	22	47.40	18	60.40	27	59.50
Television Series	15	100.34	22	89.45	7	51.20	19	127.90	21	273.00
Television Movies, Mini-Series, Specials, Pilots, Documentaries, Docudramas & Other	65	48.84	54	29.22	97	43.50	69	39.50	52	66.40
Animation	6	14.95	2	8.47	14	21.50	7	23.80	8	20.50
Total Domestic	**116**	**213.88**	**100**	**168.79**	**140**	**163.60**	**113**	**251.60**	**108**	**419.40**
FOREIGN										
Feature Film	16	191.56	25	821.58	15	413.70	22	324.10	29	364.40
Television Series	21	235.75	15	308.86	12	242.70	19	320.30	15	239.60
Television Movies, Mini-Series, Specials, Pilots, Documentaries, Docudramas & Other	31	137.52	25	91.62	32	166.20	40	188.70	38	147.70
Animation	10	22.49	4	13.71	6	7.40	3	23.80	2	9.20
Total Foreign	**78**	**587.32**	**69**	**1,235.76**	**65**	**830.00**	**84**	**856.90**	**84**	**760.90**
TOTAL	**194**	**801.20**	**169**	**1,404.55**	**205**	**993.60**	**197**	**1,108.50**	**192**	**1,180.30**

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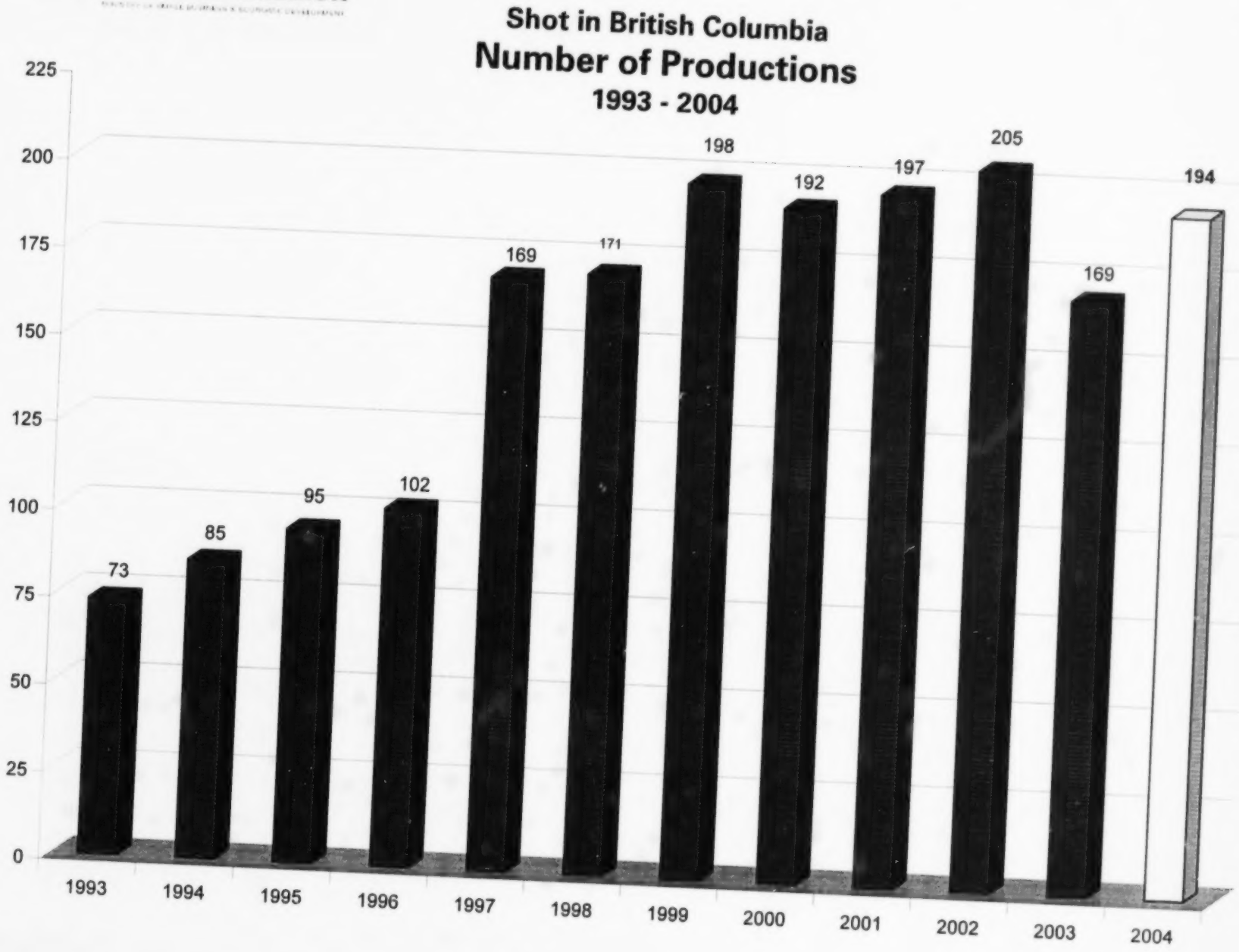
BRITISH COLUMBIA
FILM COMMISSION

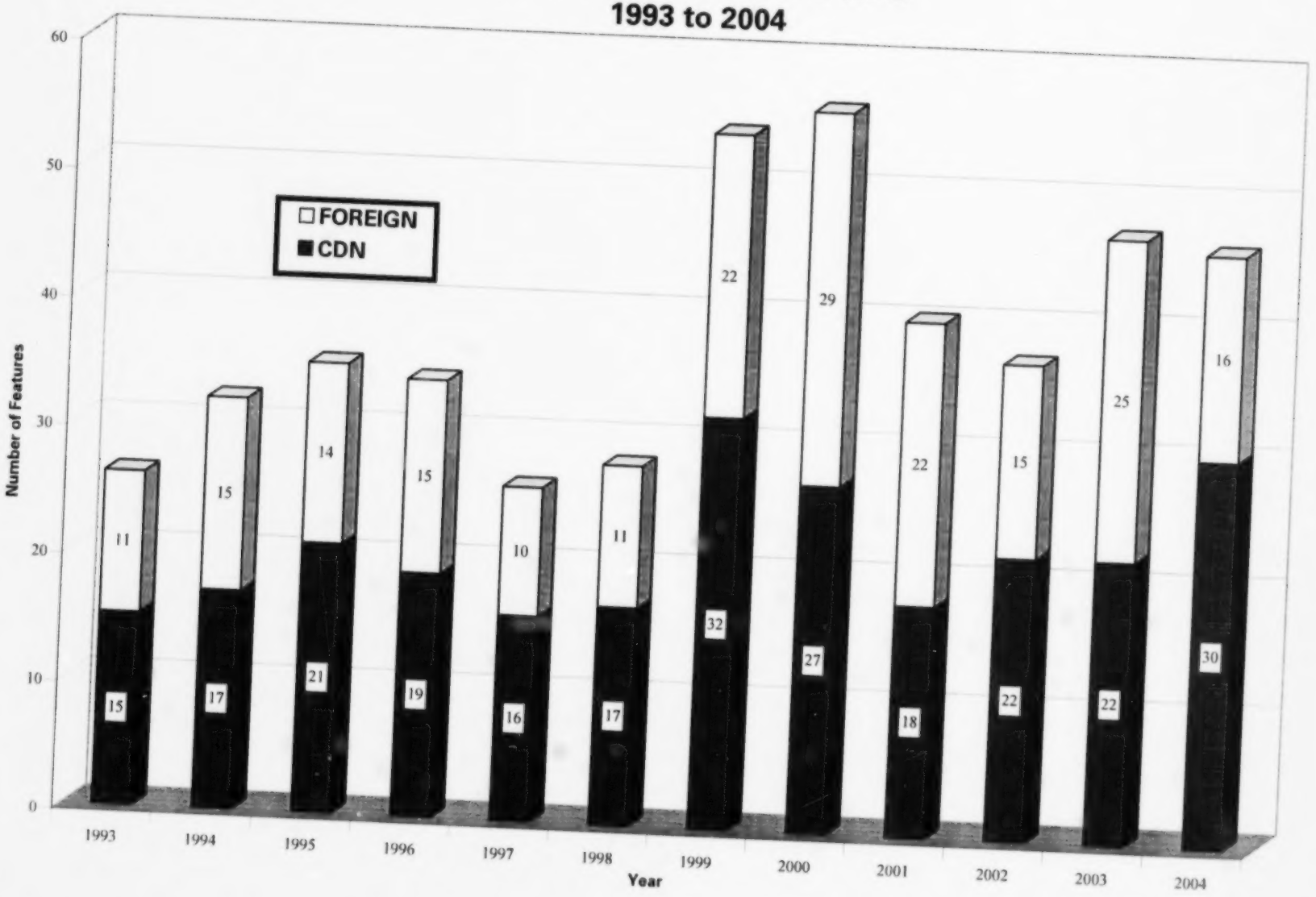


BRITISH COLUMBIA FILM COMMISSION

Shot In British Columbia

NUMBER OF FEATURES

1993 to 2004

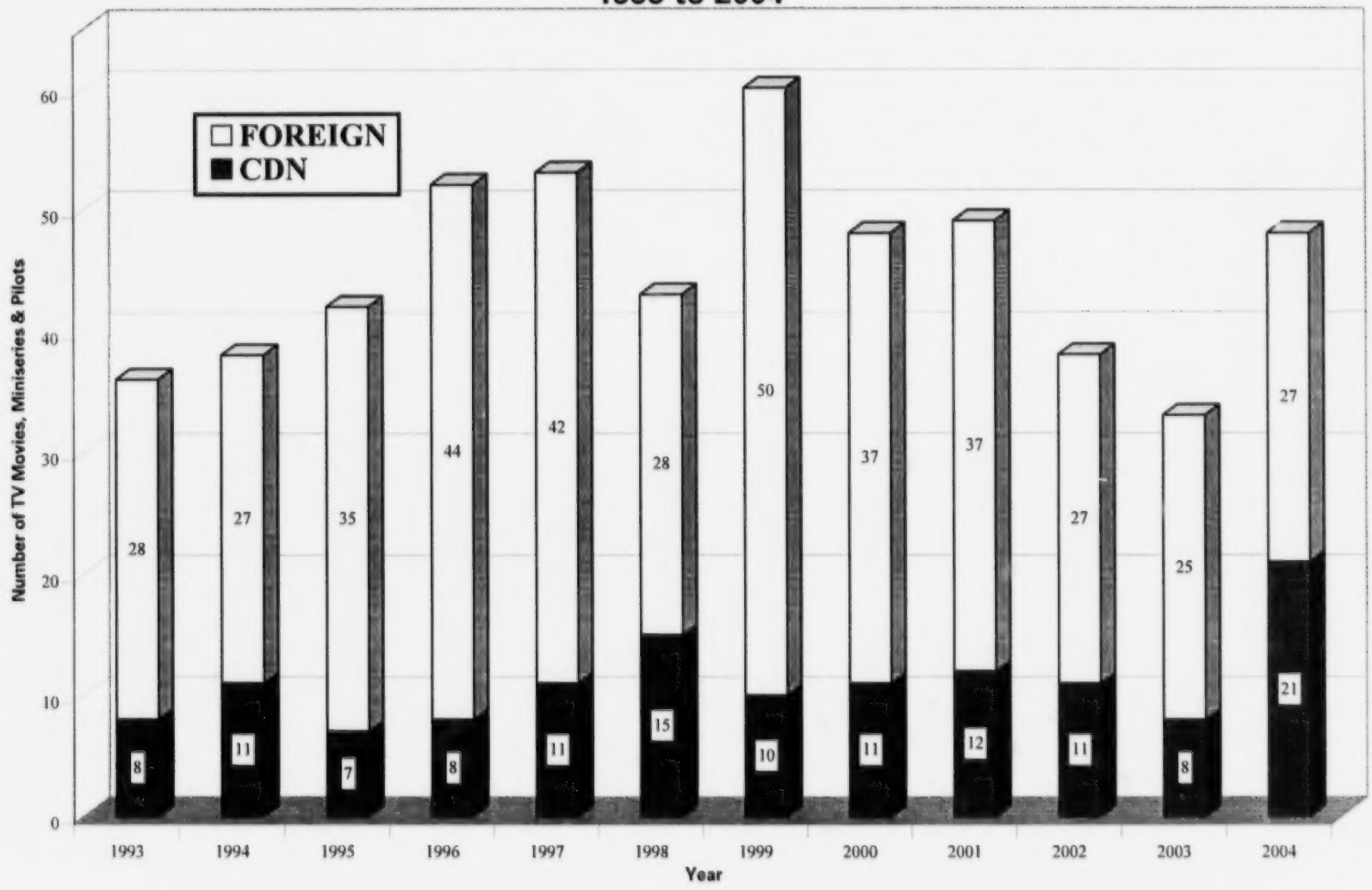


BRITISH COLUMBIA FILM COMMISSION

Shot In British Columbia

NUMBER OF TV MOVIES, MINISERIES & PILOTS

1993 to 2004

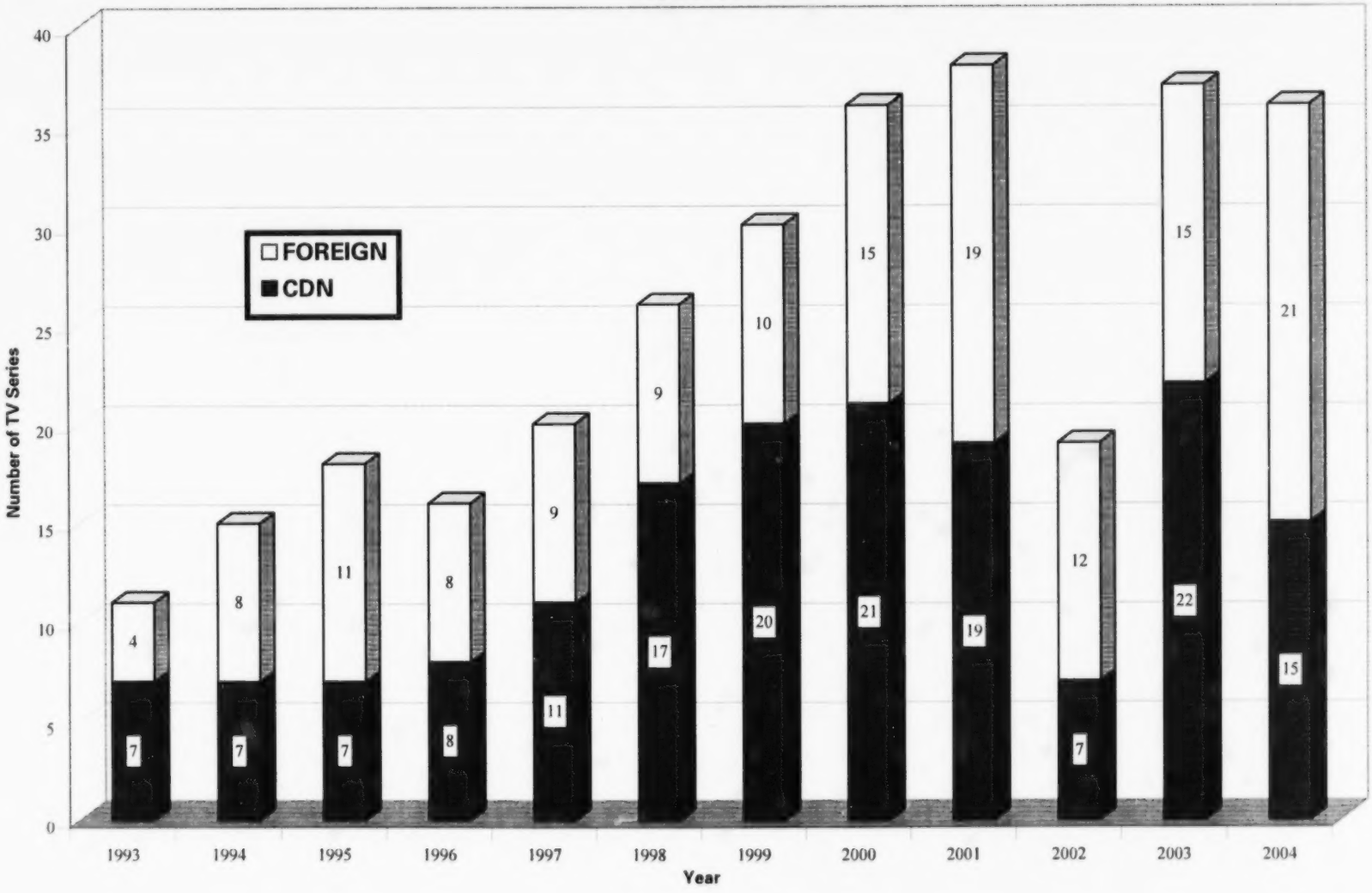


BRITISH COLUMBIA FILM COMMISSION

Shot In British Columbia

NUMBER OF TV SERIES

1993 to 2004



BRITISH COLUMBIA FILM COMMISSION

Shot In British Columbia

NUMBER OF DOCS, SHORTS, ANIMATION & OTHER

1993 to 2004